Chapter 30

Developing Countries: Winners or Losers?

Carol Lancaster

Of the six billion people in the world today, five billion live in what is often called the *developing world*. This chapter examines the recent impact of globalization on the countries and peoples that inhabit the developing world, as well as the probable impact that globalization will have on these countries in the near future. It focuses particularly on peace and security in developing countries. The chapter concludes by assessing the implications for U.S. policies of that globalization and security in the world's poorer regions.

Globalization offers many potential benefits to developing countries. At the same time, it carries potential costs in terms of economic volatility and recession and of increasing income inequalities (both within and among countries) that, combined with greatly improved access to information and arms, can fuel discontent and violence and create expanded commercial opportunities for criminals and warlords to finance their violence and looting by exporting valuable raw materials. The United States, as the world's leader, has a special role and responsibility in ensuring that the process of globalization is smooth, and that adequate institutions of global governance are in place to address the potentially serious costs of globalization. More than anything else, this role requires that the United States be willing to use its economic policies and resources to help ensure stability in the world economy so that it will not have to use its military resources to deal with the consequences of economic disruption or warlordism in developing countries.

Who Is the Developing World?

Globalization has been defined and examined in earlier chapters of this book. We shall refer to "security" in its traditional sense, that is, as the absence of conflict both within and among states. (We will not address human security, environmental security, or other extensions of the definition of security in this chapter.) Our task is to define developing countries.

Carol Lancaster is director of the MSFS Program and co-director of the JD/MSFS Program at Georgetown University. She has served as Deputy Administrator of the U.S. Agency for International Development and as Deputy Assistant Secretary of State for African Affairs, and also has been a Congressional Fellow.

There was a time just after the end of World War II when the countries of Latin America, Asia, and Africa had much in common—whether they were independent or still colonies. Their average per capita incomes were very low; Ghana, Argentina, and Korea had roughly similar levels of prosperity. The rates of literacy, the health status, and the life expectancies of their populations were also low; in many cases, only a small proportion of eligible children ever made it to primary school. Their infrastructure was limited, and they lacked capital for much-needed investments. Finally, most of them had large agricultural sectors and relied on the export of one or two primary products. "Development" was viewed as the process of increasing national incomes in an equitable manner (with some benefits of growth accruing to the poor) and of improving the quality of life for all citizens, including education, health care, access to shelter, clean water, and other basic amenities. The definition of development has expanded in recent years to include a wide variety of desirable conditions—for example, empowerment and social justice. Amartya Sen, in his recent book, *Development as Freedom* defines development as "freedom," including the freedom to engage in economic exchange as well as political freedom and social opportunities.[1]

While not contesting the view that development is about a process that expands one's ability to live the good life, however defined, this chapter adopts the narrower and more traditional notion of development as equitable and sustainable growth. It does so for two reasons. First, a definition of development that includes everything good tells us little about the process or priorities for achieving the good life. Second, it is clear that at the core of development, whatever the definition, is economic growth. Without growth, there will be few choices and little economic freedom or social opportunity. A great deal of research suggests that equitable growth, over time, leads to the possibilities of better lives for all citizens.

The developing world today is very heterogeneous. Korea, Argentina, Chile, Turkey, Mauritius, Mexico, and others are now ranked among the 60 better-off countries in the world, with average per capita incomes at $3,000 per year or higher, with nearly all eligible children in primary school and with high secondary school enrollments, with life expectancies exceeding 60 years, and with increasingly diversified economies. At the other end of the spectrum is much of sub-Saharan Africa, with average per capita incomes below $500 per year, with only two-thirds of the eligible children in school, with life expectancies at 50 years (and declining in a number of countries because of HIV/AIDS), and with economies that are still reliant on the production and export of a few primary products. Table 1 summarizes some key quality-of-life data for several key areas in the developing world.

Latin America and East Asia, which includes China, have made considerable economic progress in terms of per capita income, life expectancy, child mortality, and other indicators of the quality of life. (If China were excluded from the East Asia category, these figures would be considerably higher.) Most of the countries in these regions constitute a significantly different category of developing countries than those in the other regions.

Table 1. Quality-of-Life Data for Key Areas of Developing World

Region	*Per Capita GNP ($)*	*Population (millions)*	*Life Expectancy (years)*	*Under-5 Mortality Rate (per 1,000 live births)*
Sub-Saharan Africa	510	627	50	151
Latin America and Caribbean	3,860	502	70	38
South Asia	430	1,305	62	89
East Asia and the Pacific	990	1,817	69	43
Middle East and North Africa	2,030	286	68	55

Source*:* World Bank, http://www.worldbank.org/data/countrydata/countrydata.html.

The poorest regions are South Asia and sub-Saharan Africa. South Asia has the largest number of poor people; however, although per capita income data there are lower than they are in sub-Saharan Africa, the indicators of the quality of life are considerably higher. The latter region is considerably more "underdeveloped" than is South Asia, and it has further to go to achieve minimal levels of development. These few data points suggest, and other data confirm, that much of South Asia—India, Pakistan, and Sri Lanka in particular—have reached a situation in which they have the human capital (there are several hundred million highly educated Indians) and the potential access to international markets to take the leadership and responsibility for their own economic management and progress. The story is otherwise in sub-Saharan Africa, where, although considerable progress has been made in the spread of primary education, only 4 percent or so of Africans have access to university education. Further, health services and infrastructure of all sorts remain limited and often deteriorating for want of adequate maintenance. The depth of poverty in Africa and in selected other countries in the world (for example, Burma, Haiti, Nepal, Cambodia, Yemen) is in a class by itself.

It is worth considering key questions: Why do these considerable differences among regions and countries in the developing world exist? Why have nations such as Korea made great economic strides, while countries such as Ghana have, if anything, regressed in their paths to prosperity? Let us consider these questions in regard to sub-Saharan Africa. It is true that the physical environment of much of this region is exceptionally difficult, with its location primarily in the tropics, and with weathered soil, erratic rainfall, and an especially heavy disease load. It is also true that much of Africa was a victim of the slave trade of the 17th and 18th centuries and was, for at least a half-century, neglected and exploited as part of the colonial empires of European states. However, it is now nearly a half-century since much of Africa gained its independence, and the disadvantages of its physical environment are conditions that countries in other parts of the world (for example, in Latin America) have managed to overcome. Furthermore, while most of Africa remains poorly developed, there is one exception: Botswana, which is small, landlocked, and has a population of roughly 1 million, has had one of the highest growth rates in the world for several decades. Botswana has benefited from its mineral resources, including diamonds; however, unlike other countries in the region with rich mineral resources (for example, the Democratic Republic of the Congo, Gabon, Zambia, Guinea, Nigeria, Cameroon), Botswana has managed them prudently. The case of Botswana suggests that African countries are not doomed to economic distress.

It is widely accepted among development specialists that what has made the African development experience sadly different from that of other regions is something called "governance"—the policies and institutions created by African leaders themselves, which have undercut incentives for the initiative and investment needed to sustain growth. Examples include government-controlled prices that were too low to encourage farmers to expand their production and adopt new technologies; government controls that discouraged domestic and foreign investors; and incompetent and corrupt public agencies that eroded property rights and led to capital flight. One could go on.

Why were policies and institutions obstacles to, rather than supports for, development in Africa and not elsewhere? This question still has no definitive answer; however, several factors are likely to have a role. One is something social scientists dislike because it is so unpredictable: leadership. What would become the Korean "economic miracle" began in 1961 with the government of General Park Chung Hee, who, after seizing power, decided to adopt policies that would spur Korean development and proceeded to do so. He drew on the economic expertise of educated Koreans and the discipline of a tough military regime to turn his country around from what had been seen in Washington as an economic basket case during the previous regime of Syngman Rhee.

Similarly, in Botswana, the first president was Sir Seretse Khama, a prudent man who did not aspire to be "president for life" or to loot his country's riches for his personal benefit. He set a tone of probity and discipline and established postcolonial political institutions that have worked for his country ever since. (For that matter, so did General George Washington, who also had the option of being president for life, but turned it down.)

Other factors might include the nature of socioeconomic groupings within countries. Are there economic groups that are powerful and independent of the government that have an interest in protecting property rights and promoting economic growth, and that can check the government when it encroaches on those rights? The cattle barons in Botswana were positioned to play this role at independence. Such groupings hardly existed in other African countries, where small farmers were the norm and where there were few manufacturers and almost no middle class at independence. Governments were typically unchecked either by political institutions or by economic groupings. Diverse ethnic groups did, of course, exist, but they were seen as threats to national unity and were typically suppressed as political movements.

Another factor that may have played a role in encouraging an effective developmental state in Korea, but not in Ghana, is a threat from outside. Korea faced a continuing threat to its prosperity and even survival from the north. Neither Ghana nor most African countries ever faced such threats. (They did face internal threats of secession or civil conflict.) Botswana is the exception. Botswana bordered on South Africa, which was powerful militarily and an anathema ideologically because of its racist policies. South Africa claimed Botswana as part of its territory in the early post-independence years. It may have been that the ongoing threat from its neighbor injected a degree of seriousness of purpose and discipline in the government of Botswana that was not evident in much of the rest of the continent.

One could go on trying to explain why some governments have served their people's interest in economic progress and others have not. A definitive answer to this question is beyond the scope of this chapter.[2] What we have today is a large diversity in development already achieved and in the capacity of countries to develop further in what is called the "developing world."

Is there still any reason even to speak of *developing countries*, given that there is such diversity among them? There is: these countries still share many of the same characteristics of relatively low incomes compared with the better-off countries of Europe and North America, of inadequate infrastructures, of a need for investment to produce both public and private goods, of a fragility in the economic progress they have made, and of a vulnerability to setbacks from internal or external shocks. However, we must also be careful to distinguish between the least developed countries (primarily in Africa but including a handful from Latin America and Asia as well) and the better-off ones, since it is likely that the impact of globalization on these two categories of countries will be different. Another important category of developing countries comprises those that have emerged from the collapse of the Soviet Union and the elimination of most communist regimes. Many of these countries are quite poor in terms of per capita income but, unlike most traditional developing countries, they often have a relatively well-developed physical and human infrastructure. (We shall not consider the "pariah" countries of North Korea and Iraq here, nor will we consider collapsed states such as Sierra Leone, Somalia, and the Democratic Republic of the Congo.)

The Impact of Globalization: Hypotheses

We shall begin by examining several clusters of hypotheses about the impact of globalization on security in the developing world. This impact is mediated primarily through its influence on the economies of developing countries and on the political consequences of economic change.

At the risk of some simplification, we can observe two major clusters of hypotheses regarding the consequences of globalization for security and conflict, one positing a positive relationship and one a negative one.

The main line of reasoning for the *positive impact of globalization* on security is that the expanded trade and investment at the core of globalization provides countries with an opportunity to increase their exports and growth and so improve the overall standard of living of their peoples. This improvement, in turn, will lessen social discontent and the likelihood of political instability and civil conflict. A second, related hypothesis is that expanded trade and investment strengthen the ties of individual countries with the world economy and raise the opportunity cost of conflict, either with neighboring countries or within individual countries, thus encouraging political leaders and their populations to avoid such conflicts.

The lines of reasoning on the *negative impact of globalization* on economic conditions and security in developing countries are several. Most of them are inspired by the theory of relative deprivation—that is, where one segment of a society feels itself economically and politically disadvantaged compared with other segments, the discontent stemming from such inequalities can lead to conflict.

Specifically, this type of reasoning leads to the observation that globalization produces both winners and losers. The losers may suffer from greater economic inequality than do the winners. For example, those with the education to exploit the opportunities offered by globalization may enjoy rapid and substantial increases in their incomes. Those without education may not end up poorer, but they will be *relatively* less well off than globalization's winners. Alternatively, globalization's losers may actually suffer from *absolute* declines in their incomes, for example, as a result of a "race to the bottom" as governments reduce social safety nets and other social programs in order to compete more effectively for foreign investment.

A related argument is that the economic volatility associated with globalization can create serious economic upheavals that lead to sharp recessions, expand and deepen poverty, and put severe strain on a country's social fabric, possibly leading to civil violence.

Findings

There is little debate that the dramatically increased levels of investment and trade in many developing countries since 1990 have spurred rapid growth there. Even though much of the foreign direct investment in developing countries has been concentrated in a dozen or so of those countries (including China, Brazil, Mexico, Thailand, Argentina, Korea, and Poland),[3] private investment has risen significantly in many other, smaller countries of Latin America and Asia. The region that has least benefited from the advantages of globalization is sub-Saharan Africa, where investment has increased by a small amount only—from $2 to $9 billion between 1990 and 1998—and trade has expanded modestly.

There is, however, also little debate that globalization has contributed to the increase of inequalities among countries. Average per capita income of the poorest countries is now 1.9 percent of that of the richest countries, down from 3.1 percent several decades ago.[4] It is clear that the recent Asian financial crisis plunged segments of the populations of affected countries back into poverty through the loss of jobs, financial assets, and government services. However, there is, as yet, little evidence of a "race to the bottom" in poor countries competing for international investment. Likewise, there is no compelling evidence thus far that—apart from the impact of economic volatility—globalization has contributed to the longstanding and substantial inequalities of income within developing countries.[5]

These findings tell us that globalization has brought benefits to a significant number of developing countries—save those in sub-Saharan Africa. It has also carried the costs of increasing inequalities among countries and severe economic disruptions stemming from financial volatility associated with international short-term capital flows. It is neither an unqualified blessing nor an unmitigated disaster.

What has been the relationship between globalization and peace and security in the developing world? Sub-Saharan Africa is the region with the largest number of conflicts in the world in recent years. Has globalization played a part in problems of security and conflict in Africa? What has been the role of globalization in the political turmoil in Indonesia, one of the victims of the Asian crisis?

Globalization and Conflict

The core assumption of the "relative deprivation theory" is that inequality breeds conflict as groups of relatively poor turn to violence against the relatively rich. This assumption is often applied to countries, as well as to segments of populations, as a justification for redistributive policies, including foreign aid, government income transfers, and so on.

In fact, there is little empirical evidence confirming that economic inequality causes conflict, either within or among countries. If the relationship held, there would presumably be far more conflicts between the world's poorer countries than among the better-off ones and, more to the point, far more conflicts within Latin American countries, in particular where economic inequalities are among the most extreme in the world.[6] Further, a close study of the intrastate conflicts in Africa suggests that political exclusion and repression—especially in ethnically fragmented societies—played the major role in triggering conflicts. Examples of this phenomenon may be seen in Liberia, the Democratic Republic of the Congo, Rwanda, and elsewhere.

Recent quantitative research by several economists at the World Bank and elsewhere further confirms the absence of direct and predictable causal relationships between inequality and civil conflict: ". . . inequality, whether of income or land, has no effect on the risk of conflict."[7]

However, these findings do not mean that *under some circumstances* the stresses associated with globalization do not contribute to conflict and insecurity. Several further hypotheses suggest the conditions under which globalization can heighten the likelihood of conflict within and among countries.

Realists in the field of international affairs have long argued that where some countries are rich and strong and others are poor and weak, the preconditions for conflict are present. Nevertheless, there appear to be a number of "zones of peace" in the world today, resulting from increasingly dense economic ties, the emergence of norms that discourage land-grabbing among countries, and regional security architecture that applies those norms (for example, in North America, in parts of South America, in Europe).

However, there are also regions where violent traditional interstate competition of the kind predicted by the realists continues, including the Middle East, the Indian subcontinent, and parts of Africa, and where effective regional security arrangements are weak or nonexistent. Should, for example, a major African country come to benefit significantly from trade and investment and reach a point where it could afford to put effective military force behind territorial claims on its neighbors (and these would be easy to concoct), we could begin to see the interstate conflicts in Africa that we have observed in the Persian Gulf, or, in past centuries, in Europe.

This hypothesis of interstate conflict resulting from regional inequalities resulting from globalization is highly speculative. There is another hypothesis linking globalization to conflict that is less speculative. That involves civil conflict fueled by competition for natural resources. The expansion and strengthening of worldwide trading networks have made the sale of natural resources abroad easier than ever before. Where discontented elements in societies with weak governments can finance their wars by the sale of diamonds, petroleum, timber, precious metals, and other primary products, the probability of conflict increases. Conflict fueled by natural resources characterized the prolonged violence in Liberia, in Sierra Leone, in Angola and, now, in the Democratic Republic of the Congo.

Globalization can be a midwife to conflict and insecurity in other ways. Where a country suffers from severe economic volatility as a result of globalization—as with the Asian financial crisis—that volatility can indeed put serious stresses on its social fabric. Where governments lack legitimacy because of corruption, repression, or incompetence, civil conflict can erupt. Where countries experiencing such economic and social stresses are further characterized by ethnic, religious, or regional fragmentation, where some groups feel they have no political voice, and where discontented groups can now gain easy access to information that elucidates their comparative deprivation, contact other discontented groups, and even purchase arms to further their goals, all from the Internet, the probability of conflict may be greater than at any time in the past. These factors explain why the Asian crisis fed conflict in Indonesia, but not in Korea or Thailand. They also may explain the ongoing insurgency in Chiapas in Mexico and raise a challenge to past experience—noted above—that relative deprivation has not fed violence.

These hypotheses and recent history suggest that globalization can make the strong stronger and the weak weaker, where *strong* refers to countries with successful economies and good governance and *weak* refers to poor economic performers with weak political systems. It may not be poverty or inequality—even inequality resulting from globalization—that are the key factors determining when globalization feeds conflict and insecurity (though these may become factors in the future); rather, it is the ability of a government to handle the stresses of globalization and any internal discontent generated by those stresses.

Globalization, Security, Regions, and Countries

If we argue that globalization can produce economic and political tensions that push conflict-prone countries into civil violence in various regions of the developing world, what scenarios for the future is obtained?

There are two elements to this analysis: one is the effects of globalization, and the other is the type of countries we are considering. If globalization continues in a relatively smooth fashion—if worldwide trade and investment expand steadily—the severe stresses experienced in the recent past in Asia (and threatened, through contagion, in other countries and regions) will not recur and globalization will not exacerbate social tensions and political instabilities in developing countries. A gradual improvement in the standard of living in these countries will reduce or eliminate severe poverty and presumably increase social cohesion and internal security. This is, in fact, what has occurred in Korea over the past several decades (the Asian crisis notwithstanding). This is the "future positive" globalization scenario for the developing world.

If, however, the process of globalization proves highly volatile, creating serious economic disruptions and depressions in developing countries, those with weak governments and severe social divisions could dissolve into internal conflict, and that conflict could spill over into neighboring countries. Depending on the severity of economic disruptions, a significant number of developing countries could fall into this category, including a number in the Middle East, South Asia, around the periphery of Russia, Central America, parts of South America, and East Asia. Even the larger countries—Russia, India, and China—might not be immune from internal conflict if an economic downturn produced by a global depression occurred. (Thus far, the many weak states of sub-Saharan Africa have benefited relatively little from globalization and so, would likely suffer less—except that the markets for a number of their main primary product exports would likely decline even further than they have in recent years. They would thus not completely escape the impact of a globalized depression.) A blowup or breakdown in the process of globalization, with a negative impact on interstate and intrastate conflict, is the cataclysmic scenario for the future.

If a major war breaks out somewhere in the world—let us posit between China and Taiwan—that also could interrupt or reverse the process of globalization. It could disrupt trade and investment worldwide and cause governments to raise protectionist barriers as they did in the inter-war years in an attempt to insulate themselves from the effects of global economic disruption. This may seem like a farfetched scenario, but there are plenty of groups in developed countries that are hostile to globalization and that could provide the core of a protectionist constituency strengthened by a major downturn in the world economy.

What Is to Be Done? Implications for U.S. Policy

If the analysis in this chapter and the various future scenarios relating globalization to security are right, there are a number of important policy implications for the United States.

Globalization Process Management. A key element in a U.S. policy aimed at reducing potential security problems stemming from globalization is to ensure, to the extent possible, that the process of globalization is smooth and avoids serious economic disruptions and, above all, severe worldwide depressions. This implies that the United States and other major economies must take a major role in "managing" the process of expanding global trade and investment to avoid severe volatility and major economic downturns ("Managing" is in quotes because globalization is a marketdriven, rather than a government-directed, process; however, the side effects and unintended consequences of globalization can and should be shaped by governments.) A number of international organizations and norms are already in place and have been turning to this purpose: the World Trade Organization, the World Bank, and the International Monetary Fund (IMF), for example. Proposals from activist groups to dismantle these institutions are exactly the wrong way to go if we are concerned about the potential for global instabilities deriving from volatile investment funds, shifting terms of trade, and other variabilities that can adversely affect developing countries. These organizations need to be strengthened in their abilities to deal with globalization's ups and downs. They need also to be more transparent and responsive to their intended beneficiaries if they are to gain the legitimacy they require to function effectively. Efforts to strengthen the international financial architecture are also an important part of this policy—especially improving information and surveillance of all economies so there are many fewer surprises (for example, weak banking systems) in the future.

Policymaking with a Global Perspective. The United States needs to set its own trade, investment, and interest rate policies with regard to their impact not only at home but also abroad. The United States was willing to absorb a large increase in imports from Asia to help Asian countries emerge from the crisis of several years ago, even at the cost of a significant U.S. trade deficit. Policymaking with an eye to the rest of the world needs to continue, despite the criticisms of economic unilateralists. The real policy trade-off in globalization could well turn out to be either the U.S. Federal Reserve's operating with an eye to the international economy or the Navy's steaming off to dampen crises in Asia and elsewhere or to provide support for humanitarian relief. There are a lot of separate links in this trade-off, but the two policy alternatives may be related in a globalizing world.

Guidance for Developing Countries. The United States should create a more coherent program of providing advice to developing countries regarding their integration into a globalizing world economy, especially where the capacity of governments to manage volatility in trade and investment is weak. We have already seen the potentially destructive impact of highly volatile capital flows in developing countries in Asia. Volatility in export earnings, however, can be equally destructive when governments spend windfall earnings from surges in the prices of their exports and then are unable to finance their needs once those earnings contract. This has been a particular problem of primary-product producers in the past, but it is something all exporters could face in a highly competitive and fast-paced world economy. Governments not capable of handling these sorts of variabilities might be encouraged to go slow in liberalizing their trade and financial sectors while they strengthen their capacity (and will) to manage their economies effectively.

Social Safety Net. It has been urged that the United States and other rich countries fund an international social safety net to assist countries whose economies are hurt by globalization's variabilities. There are several problems with this idea. One problem is the expense. Where economic and financial crises as large in impact as the Asian financial crisis occur, it is not possible for rich countries to cover the expenses of offsetting the impact of those variabilities on the poor in affected countries. The

World Bank, the regional development banks, and IMF should be able to provide some relief, but it seems unlikely that anything like complete relief will be on offer. In any case, it is probably unwise for external powers to provide complete relief, even if they could. The Asian crisis was in part the result of poor economic management on the part of affected governments. Providing them with funding to offset the consequences of their mistakes could unintentionally encourage those mistakes in the future—that is, it could create a moral hazard in the long run even as it tried to address pressing concerns in the short run. The recommendation here is that no new international social safety net be created.

Resource Controls. As mentioned above, unfettered world capitalism can encourage conflict by making it easy for rebels and warlords in weak, resource-rich countries to finance their wars by exporting those natural resources. The United States needs to support policy proposals that would mark the source of such resources and ban their sale by rebel groups. There is a discussion of trying this with diamonds, which are being used to fund several conflicts in Africa today. Although this policy would be difficult to implement and would require the support of major world governments, it is potentially an important one to reduce conflicts facilitated by a global economy.

Physical and Human Capital. Over the long run, the United States can help developing countries better position themselves to exploit the opportunities of the world economy through helping fund two key things. The first is a physical infrastructure that will encourage trade and attract investment. The second is human capital—especially a pool of high school—and university-educated individuals who can take the lead in moving their economies forward. It is very instructive that the developing countries that have benefited most from globalization are those that have combined political stability with high levels of education for significant numbers of their citizens. Costa Rica and India, both of which have created thriving software industries, come immediately to mind. Ireland—the once-poor "Celtic tiger"—has followed much the same path and is now reaping the economic benefits of its past investments in education. The United States can help with the investments in physical and human capital; however, it is up to the governments themselves to ensure the political stability and good economic management that are essential if their countries are to become globalization's winners.

Tactics with Most Vulnerable Societies. Finally, the United States must recognize what it can do and what it cannot do. It cannot always or easily bring about the fundamental social and economic changes in the world's poorest and most vulnerable societies through direct interventions with aid, advice, or pressure. The problems of African development, for example, are deep-seated, poorly understood in their fundamentals, and often location-specific. Solving them will require African efforts primarily, over a period of time. We must not fool ourselves that development mantras such as ownership and participation or even the establishment of democracy will solve these problems, even though each of them is useful in its own right. The United States must also make an effort, with African countries (or other poor countries' governments and peoples) and other developed countries to take advantage of opportunities for beneficial change or to help in sensible directions. One end of the spectrum involves, as noted above, helping educate the populations of poorer countries that, over the long term, will want lives of peace and prosperity. The United States must also encourage the development of property-owning producers—farmers or businesspersons—within these societies who will not only support development but also demand policies and institutions that both protect their assets and encourage further investment. It also must support the development of effective international and regional institutions that will help manage economic and social integration and protect security, especially in poor and fragile areas. These are challenging activities, but they are appropriate ones for the world's only superpower. They need not cost large amounts, though the United States should be ready to fund a reasonable portion of the costs of such efforts. They will need attention and effort on the part of the U.S. Government and the support of the American public. In the end, the dividing line between global and domestic issues is fast eroding. To be a world leader in this and other areas, the United States needs to be able to explain and effectively create the basis at home for such activities—especially as regards regions where high-priority U.S. interests are limited. This is one of the greatest challenges before us in this era of globalization.

Notes

[1] Amartya Sen, *Development as Freedom* (New York: Alfred A. Knopf, 1999).

[2] See the works of Douglass North and Mancur Olsen for further thoughts on this important issue—though not answers to the question. Other efforts to think broadly about why the West, but not other parts of the world, developed are found in Jared Diamond, *Guns, Germs and Steel* (New York: W. W. Norton, 1998) and David Landes, *The Wealth and Poverty of Nations* (New York: W. W. Norton, 1998).

[3] UN Conference on Trade and Development, 1998 figures.

[4] World Bank, *World Development Report, 1999/2000* (Washington, DC: Oxford University Press for the World Bank, 2000).

[5] See, for example, Nicholas van de Walle, *Economic Globalization and Political Stability in Developing Countries* (New York: Project on World Security, Rockefeller Brothers Fund, 1998).

[6] In Brazil and Guatemala, for example, 10 percent of the population receives 50 percent of the national income. See Inter-American Development Bank, *Facing Up to Inequality in Latin America* (Washington, DC: n.p., 1998).

[7] Paul Collier and Anke Hoeffler, "Justice-Seeking and Loot-Seeking in Civil War," February 17, 1999, <http://www.worldbank.org/research/conflict>.